

1621  
**SECRET**

**BIWEEKLY REPORT**

**SINO-SOVIET BLOC  
ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS**

EIC-WGR-1/17

1 October 1956

PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

25X1  
**SECRET**

**W A R N I N G**

THIS MATERIAL CONTAINS INFORMATION AFFECT-  
ING THE NATIONAL DEFENSE OF THE UNITED STATES  
WITHIN THE MEANING OF THE ESPIONAGE LAWS,  
TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMIS-  
SION OR REVELATION OF WHICH IN ANY MANNER TO  
AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

C O N T E N T S

	<u>Page</u>
I. Summary of Events, 11-24 September 1956 . . . . .	1
II. South Asia . . . . .	2
A. Ceylon . . . . .	2
1. Loan of Burmese Rice by the USSR . . . . .	2
2. Ceylonese Trade Relations with the USSR and Communist China . . . . .	3
B. Indian Metallurgist Trainees in the USSR . . . . .	4
III. Far East . . . . .	4
A. Soviet Credit to Indonesia . . . . .	4
B. Soviet Advisers in Burma . . . . .	5
C. Chinese Communist Offer of Aid to Nepal . . . . .	6
IV. Middle East . . . . .	7
A. Egyptian Trade with the Soviet Bloc . . . . .	7
B. Syria . . . . .	8
1. Soviet Offers to Develop Oil Resources . . . . .	8
2. Trade Negotiations Between Syria and Albania . . . . .	9
3. Advertising at the International Fair in Damascus . . . . .	10
C. Polish Offer of Factory to Turkey . . . . .	10
V. Latin America (Argentina) . . . . .	11
VI. Western Europe (Yugoslavia) . . . . .	11
1. Possible Participation of Other Bloc Nations with Yugoslavia in the Danube Power Project . . . . .	11
2. Hungarian-Yugoslav Economic Agreement . . . . .	12

S-E-C-R-E-T

SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS\*

I. Summary of Events, 11-24 September 1956.

The most significant feature of the Sino-Soviet Bloc effort to expand economic relations with the Free World during the period 11-24 September 1956 was the Egyptian declaration of its new policy to divert trade from "uncooperative Western nations" and to meet its needs in the markets of friendly countries. Egypt has decided to reject bids, regardless of their suitability, from Western nations and has already rejected the UK as a supplier of locomotives. Previously, Egypt had denied Western applications for oil leases in the Sinai area and had hired Soviet technicians to assist in the oil exploration of the area.

In South Asia, Ceylon negotiated a loan from the USSR of 12,000 long tons of Burmese rice. The three-man mission sent to both the USSR and Communist China to discuss the development of closer diplomatic and economic ties has issued joint communiqués in both countries indicating that discussions on trade relations between Ceylon and both the USSR and China would begin in the near future. In the same area, India sent 50 engineers to the USSR for training as steel metallurgists.

Far Eastern economic activities of the Sino-Soviet Bloc included the signing of an agreement, previously reported, which extends a credit of US \$100 million\*\* to Indonesia from the USSR;

---

\* Although the main emphasis of the Biweekly is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

\*\* Unless otherwise specified, all dollar values in this report are in terms of US dollars.

S-E-C-R-E-T

S-E-C-R-E-T

the Burmese acceptance of five Soviet experts to serve in a high-level planning capacity in Burma; and the offer by Communist China to Nepal to establish an engineering school in Katmandu.

In the Middle East, in addition to the Egyptian policy declaration discussed above, other Sino-Soviet Bloc activities included a Soviet offer to develop oil resources in Syria, the negotiation of a trade agreement between Albania and Syria, and a new Polish offer to supply a factory to Turkey on credit.

Economic expansion of the Bloc in South America was confined chiefly to the shipment of Czechoslovak aircraft to Argentina. Czechoslovakia was also to train Argentine flyers and mechanics to operate and maintain the aircraft.

In Western Europe, information indicates that Czechoslovakia, Bulgaria, and Hungary may join in the proposed construction by Yugoslavia and Rumania of a large hydroelectric power project on the Danube River. Yugoslavia also signed an agreement with Hungary which established the scope and direction of future economic relations between the two countries.

II. South Asia.

A. Ceylon.

1. Loan of Burmese Rice by the USSR.

As a result of recent negotiations with the USSR, the government of Ceylon is to receive a loan of 12,000 long tons of rice, to be delivered in October and repaid by early 1957. The USSR will divert rice from Soviet purchases in Burma for this purpose. (UNCLASSIFIED)

The very low level of Ceylon's stocks of imported rice -- only about 3 weeks' supply remained in mid-August -- can be attributed to (a) an increase of 12,000 tons a month in domestic consumption as a result of a reduction in the price of rationed rice in May, and (b) the failure of Burma to deliver its full contract quota, because of export overcommitments and shipping difficulties. (OFFICIAL USE ONLY)

25X1

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700010017-2

Next 7 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700010017-2